

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY)	CASE NO. 90-361
POWER COOPERATIVE, INC. FROM NOVEMBER 1,)	
1988 TO OCTOBER 31, 1990)	

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on November 30, 1990 established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of East Kentucky Power Cooperative, Inc. ("EKPC") for the 2 years ended October 31, 1990, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of its review, the Commission ordered EKPC to submit certain information concerning, inter alia, its fuel procurement, its fuel usage, and the operation of its FAC. EKPC submitted this information on December 26, 1990. A public hearing was held in this case on February 21, 1991 at which Jerry Bordes, George Carruba, Joe Christian, and Randy Dials, EKPC officials, testified.

EKPC proposed that the month of September 1990 be used by the Commission as the base period (test month) for the purpose of representing best generation mix. However, EKPC proposed that its fuel costs be based not on its test month, but on budgeted amounts

for 1991 and 1992 since it maintained that no month during the period of this fuel review was representative of current fuel costs.

In establishing the appropriate level of base fuel cost to be included in EKPC's rates, the Commission must determine whether the proposed future period fuel cost per KWH as proposed is representative of the level of fuel cost currently being experienced by EKPC. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of September 1990 is a reasonably representative generation month for EKPC. The analysis of EKPC's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year period in question ranged from a low of 11.03 mills per KWH in December 1989 to a high of 13.02 mills per KWH in September 1990 with an average cost for the period of 12.06 mills per KWH. EKPC proposed a higher cost of 13.82 mills per KWH as its new base fuel cost based on anticipated increases in fuel cost expected to occur in 1991 and 1992 due to contract renegotiations and price escalations. Based upon its review, the Commission finds that Commission Regulation 807 KAR 5:056 does not allow the base fuel cost to be determined based on projections of future fuel costs, and that EKPC's base fuel cost should be that of its selected generation month of September 1990, of 13.02 mills per KWH.

EKPC has one billing cycle, which covers the calendar month. EKPC's member cooperatives are billed in the first week of the following month. If EKPC's new base fuel cost of 13.02 mills per

KWH became effective for service rendered on and after May 1, 1991, EKPC would bill its customers for service received in the month of May in June using the base fuel cost after roll-in of 13.02 mills per KWH. Billings for service received in April, but not billed until May, would be based on the base fuel cost before roll-in of 12.48 mills per KWH.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. EKPC has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test month of September 1990 should be used as EKPC's base period for this review.

3. EKPC's proposed base period fuel cost of 13.82 mills per KWH should be denied.

4. The fuel cost of 13.02 mills per KWH for the test month of September 1990 should be established as EKPC's new base fuel cost.

5. The establishment of a base fuel cost of 13.02 mills per KWH requires a transfer (roll-in) of .54 mills per KWH from the FAC rate to EKPC's base rates and can best be accomplished by a uniform increase in all energy rates.

6. The rates and charges in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 12.48 mills per KWH and the new base fuel cost of 13.02 mills per KWH.

7. The rates in Appendix A, attached hereto and incorporated herein, are fair, just and reasonable and should be approved for service rendered on and after May 1, 1991.

8. For service provided on or after May 1, 1991, EKPC should use a FAC rate based on a base fuel cost of 13.02 mills per KWH.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the FAC for the period November 1, 1988 through October 31, 1990 be and they hereby are approved.

2. EKPC's proposed base fuel cost of 13.82 mills per KWH be and it hereby is denied.

3. The fuel cost of 13.02 mills per KWH for the test month of September 1990 is approved as EKPC's new base fuel cost.


4. The rates and charges in Appendix A are fair, just and reasonable and are approved for service rendered on and after May 1, 1991.

5. For service provided on or after May 1, 1991, EKPC shall use a FAC rate based on a base fuel cost of 13.02 mills per KWH.


6. Within 30 days from the date of this Order, EKPC shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 3rd day of April, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 90-361 DATED 4/03/91

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE A

Monthly Rate - Per Load Center

Energy Charge: \$.02396 Per KWH

SCHEDULE E

Monthly Rate

Energy Charge:
Per First 425 Hours KW Billing Demand \$.03185 Per KWH
Per Additional KWH .02396

SCHEDULE B

Monthly Rate

Energy Charge: \$.02396 Per KWH

SCHEDULE C

Monthly Rate

Energy Charge: \$.02396 Per KWH

MARKETING RATE

Monthly Rate

Energy Charge: \$.019276 Per KWH